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TO SECSTATE WASHDC 5072
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E.O. 11652: GDS

TAGS: ETRD, PFOR, EC

SUBJECT: FORMER AMBASSADOR TO THE U.S. SPEAKS ON TRADE ACT

1. SUMMARY. IN A WELL-ATTENDED SPEECH BEFORE CICE, A QUITO BUSINESS AND ECONOMIC SOCIETY, ALBERTO QUEVEDO EX-AMBASSADOR TO THE UNITED STATES, DEPLORED ALMOST THE ENTIRE TRADE REFORM ACT AS A THREAT TO DEVELOPING NATIONS. HE SAID THE ACT HAD LED TO A DETERIORATION OF U.S.-LATIN AMERICAN RELATIONS. THE SPEECH, ENTITLED "ECONOMIC EFFECTS OF THE TRADE ACT", EMPHASIZED THE RESTRUCTURING OF THE WORLD ECONOMY IN FAVOR OF THE DEVELOPING NATIONS AND THE DISREGARD OF THIS PEHNOHENON CLEARLY MANIFESTED IN THE ACT. THE SPEECH WILL BE TAKEN SERIOUSLY BY ECUADOR'S OPINION MAKERS BECAUSE DR. QUEVEDO IS HELD IN HIGH ESTEEM AS AN ECONOMIST, FORMER MINISTER OF FINANCE, AND RECENT AMBASSADOR TO THE U.S. END SUMMARY.

2. DR. QUEVEDO DEVOTED A SUBSTANTIAL PORTION OF HIS COMMENTS TO THE DEVELOPMENT OF U.S.-LATIN AMERICAN RELATIONS CULMINATING IN THE TRADE ACT. DURING THE PERIOD OF THE
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GOOD NEIGHBOR POLICY AND THROUGH WORLD WAR II THE U.S.

VIEWS ITS INTERESTS IN LATIN AMERICA AS COINCIDING COMPLETELY WITH LATIN AMERICA'S OWN INTERESTS. FOLLOWING A PERIOD OF NEGLECT IN THE 1950S, THE U.S. UNDER PRESIDENT KENNEDY BEGAN A PERIOD OF HIGHLY PATERNALISTIC ATTENTION TO LATIN AMERICA BUT WITH UTTER DISREGARD FOR THE HISTORICAL AND CULTURAL FRAMEWORK IN WHICH THE ALLIANCE FOR PROGRESS WAS TO OPERATE. ONCE AGAIN THE U.S. HAS BEGUN A PERIOD OF RELATIVE NEGLECT TOWARD LATIN AMERICA.

3. THE REASONS FOR THIS LACK OF INTEREST AND NEGLECT CAN BE FOUND IN (A) SECRETARY KISSINGER'S CONCEPT OF POWER BALANCE IN TERMS OF POLITICAL AND MILITARY RELATIONS THAT RELEGATE LATIN AMERICA TO RELATIVE UNIMPORTANCE; (B) THE LACK OF MILITARY THREAT TO THE U.S. FROM LATIN AMERICA; (C) THE RELATIVELY SMALL U.S. INVESTMENT IN LATIN AMERICA AND (D) THE FACT THAT WITH DETENTE THERE IS NOW LESS INTEREST (AND POSSIBLY LESS REASON) IN PREVENTING COMMUNIST INFILTRATIONS IN THE HEMISPHERE. THE AFTERMATH OF THE VIETNAM WAR AND THE CURRENT ECONOMIC CRISIS IN THE U.S., QUEVEDO SAID, ENCOURAGE A MORE ISOLATIONIST AND LESS PATERNALISTIC U.S. POLICY. HE WELCOMED THE LATTER CHANGE SAYING THAT LATIN AMERICA SHOULD RECOGNIZE THAT IT HAS REACHED THE AGE OF MAJORITY AND HE PERSONALLY "DEPLORED THE RECENT (NEGATIVE) ATTITUDE OF LATIN AMERICAN COUNTRIES REGARDING THE U.S. ROLE IN THE CUBA SANCTIONS." HE SAID THAT THE U.S. BECAUSE OF THE VIETNAM WAR AND THE ECONOMIC PROBLEMS IT FACES HAS ENTERED INTO A NEW PERIOD OF NATIONALISM THAT ECUADOR MUST TAKE INTO ACCOUNT AND THAT HELPED ENGENDER MANY OF THE ELEMENTS IN THE TRADE ACT. HE SAID THAT THE NEW DIALOGUE HAVING STARTED PROPITIOUSLY HAD BEGUN TO DETERIORATE EVEN BEFORE IT WAS DESTROYED BY THE TRADE ACT.

4. WITH RESPECT TO SPECIFIC PROVISIONS OF THE ACT, HE CRITICIZED THE COUNTERVAILING DUTIES SECTIONS AND CITED THE CASE OF CUT FLOWERS FROM COLOMBIA. WHILE ADMITTING THAT THE SYSTEM OF PREFERENCES GRANTED BY THE EUROPEAN COUNTRIES AND JAPAN HAD NOT RESULTED IN SIGNIFICANT ADDITIONAL LATIN AMERICAN EXPORTS TO THOSE AREAS, HE SAID THAT LATIN AMERICA HAD HOPED FOR MUCH MORE FROM THE U.S.

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IN THE GSP. NEVERTHELESS, THE GSP SECTIONS OF THE TRADE ACT WERE SO CIRCUMSCRIBED WITH RESTRICTIONS THAT THESE PROVISIONS WOULD BE OF LITTLE BENEFIT TO THE COUNTRIES OF THE HEMISPHERE OR EVEN TO ECUADOR, SHOULD ECUADOR EVENTUALLY BECOME ELIGIBLE FOR GSP. HE CITED THE PROVISIONS ON CONFISCATION AND NATIONALIZATION OF U.S. PROPERTIES AS NOT CORRESPONDING TO THE NEW THIRD WORLD REALITIES.

5. HE SAID THAT THE TRADE ACT HAD BEEN PRAISED IN THE U.S. BECAUSE IT ALLOWED THE PRESIDENT TO NEGOTIATE DOWNWARD EXISTING TARIFF AND NON-TARIFF BARRIERS ON A RECIPROCAL BASIS. HE SAID THIS WOULD DO ECUADOR NO GOOD BECAUSE ECUADOR WOULD HAVE TO RECIPROCATATE AND WOULD RECEIVE NO SPECIAL BENEFIT VIS-A-VIS THE DEVELOPED COUNTRIES.

6. IN CLOSING QUEVEDO REFERRED TO HIS RECENT EXPERIENCE AT HARVARD UNIVERSITY AFTER HE LEFT THE EMBASSY IN WASHINGTON IN MID-1974. HE QUOTED U.S. ACADEMICIANS AS ADMITTING "NEW WORLD REALITIES" AND PREDICTING A DRASTIC CHANGE IN THE U.S. STANDARD OF LIVING AS THE THIRD WORLD GAINED A FAIRER SHARE OF THE WORLD'S RICHES. THE PROBLEMS OF THE U.S. ARE NOT CYCLICAL BUT STRUCTURAL, HE CONTINUED.

7. FINALLY, HE SAID THAT THE LATIN AMERICANS SEE THE TRADE ACT AS A FOREWARNING OF OTHER THREATS OF COERCION AND THEY OUGHT NOT TO ADVOCATE RESUMPTION OF THE NEW DIALOGUE UNTIL SUCH THREATS CEASE.

8. COMMENT: NO MENTION WAS MADE OF WELL-PUBLICIZED EFFORTS OF THE STATE DEPARTMENT OR OF THE ADMINISTRATION TO REMOVE ECUADOR AND VENEZUELA FROM THE LIST OF GSP EXCLUSIONS. QUEVEDO'S REMARKS WERE HEARD BY A LARGE NUMBER OF IMPORTANT AND INFLUENTIAL ECUADOREANS IN AND OUT OF GOVERNMENT. BECAUSE OF HIS STATURE AND REPUTATION AND HIS RECENT EXPERIENCE IN THE U.S., HIS REMARKS ARE BOUND TO BE TAKEN SERIOUSLY. THEY REFLECT WHAT IS INCREASINGLY COMING TO BE KNOWN IN ECUADOR AS THE "NEW REALITY." END COMMENT.
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